



Issues Affecting Lake County's Local Food System: Food Policy, Scale and Examples

Shermain Hardesty

Director, UCCE Small Farm Program

Extension Economist, Ag & Resource Economics

UC Davis

Lake County Local Food Forum

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3 Key Issues Related to Lake County's Local Food System

- Government food policy
- Economies of scale
- Examples



Food Policy: 2012 Farm Bill

- ❑ Agriculture Reform, Food and Jobs Act of 2012
 - Senate's Farm Bill introduced on May 24
 - ❑ Considering ~300 amendments
 - House Farm Bill may be introduced by end of June
 - ❑ Seeking major cuts to conservation programs



Food Policy: 2012 Farm Bill

- ❑ Obama Administration supports Senate Farm bill with:
 - Further cuts to commodity & crop insurance programs
 - Restore cuts to SNAP
 - Programs for beginning farmers and ranchers, streamlining conservation programs, bioenergy, and ag research.

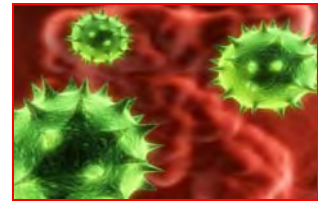
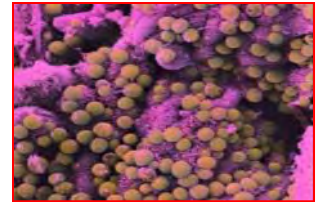


Food Safety Regulations

<http://www.fda.gov/Food/FoodSafety/FSMA/ucm298665.htm>



- ❑ **Food Safety Modernization Act (FSMA)**
was passed by Congress in 2010
- ❑ **Applies to fruits, vegetables & processed food**
- ❑ **Does not apply to meat, poultry or dairy**
- ❑ **FSMA draft regulations were due in January, 2012, but could now be delayed until after November elections**
- ❑ **Regulations will be phased in, with largest producers required to implement first**



FSMA's Small Farm Exemption

- ❑ **FSMA exempts small farmers from its food safety regulations, if they meet ALL of the following criteria:**
 - **50%+ revenues from direct marketing to consumers, stores and restaurants**
 - **Direct market in the same state or within 275 miles**
 - **Total farm sales less than \$500,000**
 - **Name, address and phone # provided to customer**

Local & State Food Safety Requirements

- ❑ Farms exempt from FSMA must still meet local and state requirements:
 - County Environmental Health Department
 - CDFA
 - CA Department of Public Health

**County
Environmental
Health Department**



Industry Food Safety Requirements

- ❑ Many customers require that produce suppliers have 3rd party food safety certification (Primus Labs, NSF Agriculture)
- ❑ Recently, insurance companies have cancelled policies or increased premiums for some smaller farms that direct market leafy greens

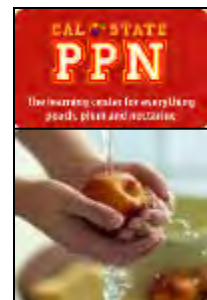
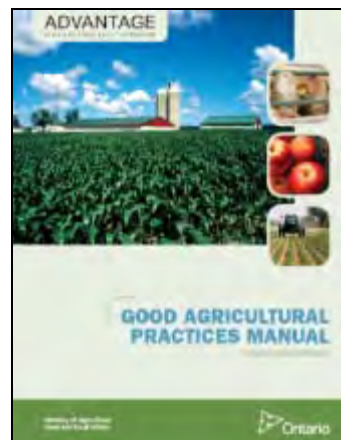
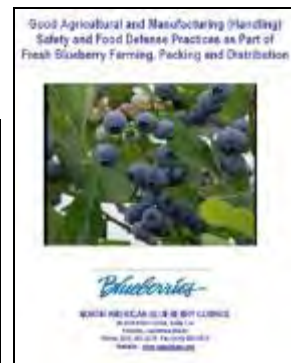
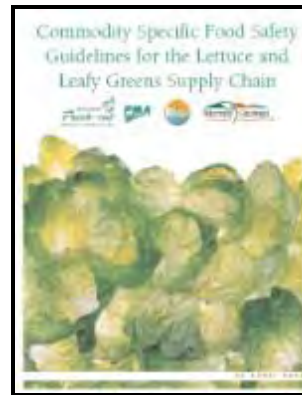


School
Lunch Counter

School Lunch Counter
Student and Teacher Lunches

Commodity-Specific GAPs and Food Safety Audit Checklists

- Lettuce & Leafy Greens
- Melon
- Tomato
- Stone fruit
- Mushroom
- Culinary Herbs
- Green Onions
- Sprouts
- Almond
- Citrus
- Strawberry
- Watermelon
- Blueberries
- Asparagus
- Avocado



Self Certification of Good Ag Practices (GAPs)

WE ARE NAPA COUNTY
Environmental Management

Napa County Best Management Practices Agreement for a Garden to Become an “Approved Source”

<http://www.countyofnapa.org/DEM/GardenApplication/>

***Water *Workers *Wildlife *Waste**



Direct Marketing in California

- In 2007, CA producers earned \$162.7 million in direct marketing (USDA Census of Agriculture)
- Forms of direct marketing include Certified Farmers Markets, farmers markets, flea markets, CSAs, farmstands, u-picks
- Legislation enabled Certified Farmers Markets to begin operating in 1977

Direct Marketing in California

- ❑ Certified farmers engaged in direct marketing in California are exempt from Standardization Program requirements regarding minimum size, labeling, standard pack & containers
- ❑ In 1988 ,there were ~170 CFMs
- ❑ In 2000, there were ~360 CFMS
- ❑ In 2012, there are ~800 CFMs involving ~3,350 certified producers

Direct Marketing Revenue by Farmgate Sales Class, 2007-California

ANNUAL FARMGATE SALES CLASS, 2007

	All Commercial Farms*	\$1,000,000 or more	\$500,000- \$999,999	\$250,000- \$499,999	\$100,000- \$249,999	\$50,000- \$99,999	\$25,000- \$49,999	\$10,000- \$24,999	Under \$10,000
Farms in California selling direct by sales class	6,360	126	109	157	348	515	738	1,307	3,060
% of farms in California involved in direct marketing, 2007	10.1%	2.2%	3.7%	4.0%	5.3%	8.3%	9.7%	12.5%	15.6%
Total direct marketing revenues by sales class (\$1,000)	162,607	64,017	17,567	18,694	19,436	14,427	12,657	9,498	6,312
% of farmgate sales in sales class from direct marketing, 2007	0.5%	0.2%	0.8%	1.3%	1.9%	3.3%	4.6%	5.6%	7.3%

Source: USDA-NASS, 2007 Census of Agriculture

*Includes only farms with revenues of \$1,000 or more in 2007. There were 18,111 noncommercial farms reported in California in 2007

CDFA Direct Marketing Ad Hoc Advisory Committee-Objectives

- ❑ Provide access to healthy California-grown products
- ❑ Establish, revise or eliminate regulations to create a consistent, clear & relevant regulatory framework
- ❑ Establish inspection uniformity & effectiveness by both county & state
- ❑ Enhance marketing strategies & opportunities for growers
- ❑ Create food safety requirements to satisfy local environmental health “approved source” needs
- ❑ Establish cohesive definitions throughout Direct Marketing Chapter in Food & Ag Code

CDFA Direct Marketing Ad Hoc Advisory Committee

□ Expected outcomes

- Improved traceability through registration of every farmer who is involved with direct marketing in California
- Increased enforcement regarding reselling at CFMs
- Increased information about producers providing products to CSA customers
- Growers self-certify their food safety practices

CDFA Direct Marketing Ad Hoc Advisory Committee

□ Expected Process

- Submit report with regulatory recommendations to the Secretary
- Open to public comment
- In 2013, CDFA will provide recommendations for changes to the Food & Ag Code

Scale in US Agriculture

- ❑ US food system industrialized with the rest of our economy
- ❑ By 1950s, extensive mass marketing of food
- ❑ Significant consolidation in grocery sector led to consolidation in agricultural production & food processing
 - High volumes
 - Uniform product
 - Low cost

Benefits of Scale

- ▣ Since 1929, food expenditures as a share of US consumers' disposable income have declined from 23.9% to 9.5%
- ▣ Consumers in European Union spend around 15%
- ▣ Between 1970 and 2010, ag producers' share of US consumers' food \$ dropped from \$.32 to under \$.141
 - Marketing bill increasing for processing, packaging, transportation, energy, retailing

Scale—California Ag in 2007

- 62,944 commercial farms in California generated \$34.1 billion in sales in 2007
- 50,245 farms with sales <\$250,000
 - Represented 80% of commercial farms
 - Generated 6% of total value of state's ag
- 5,694 farms with sales of \$1 million or more
 - Represented 7% of commercial farms
 - Generated 84% of total value of state's ag

Lake County Ag in 2007

- 573 farms with sales <\$250,000
 - Represented 94% of commercial farms
 - Generated 21% of total value of County's ag
- 93 producers from Lake County generated \$575,000 in revenues through direct marketing during 2007

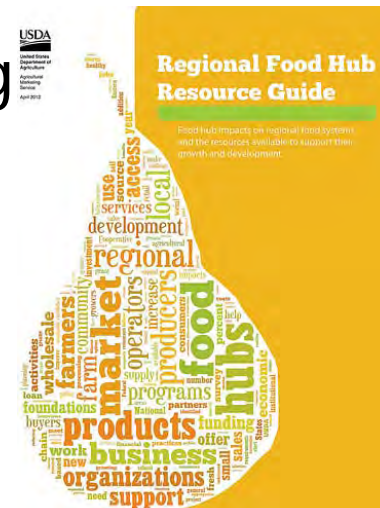
Economies of **Scale** in Production

- ❑ Small-scale producers have higher per unit production costs than larger operators
 - Rely heavily on labor, rather than equipment
 - Tend to be more diversified
 - Overcoming this disadvantage
 - ❑ Less soil compaction
 - ❑ Immature fruit less likely to be harvested
 - ❑ More diverse crop mix
 - ❑ Can handle more fragile varieties
 - ❑ Can work smaller plots of land, closer to urban edge



Economies of Scale in Distribution

- ❑ Packaging materials costs decrease unit as order volumes increase
- ❑ Larger loads are more fuel efficient
- ❑ Selling and invoicing costs decrease per unit as sales volumes increase
- ❑ Overcoming this disadvantage
 - Reduce packaging requirements through direct marketing
 - Participate in a food hub/cooperative to consolidate shipments



Scale and Access to Capital

- ❑ Lenders' administrative/loan servicing costs for large and small loans are similar
- ❑ Monitoring costs for large and small loans are often similar for a lender
- ❑ Lenders—even **impact-oriented** ones—perceive that small-scale producers have poor business acumen
 - experience/skills necessary for running a business
 - working in wholesale markets, marketing
 - business planning & recordkeeping

Scale and Access to Capital

- ❑ Remedies for this disadvantage
 - Seek training on regulatory compliance, business planning, recordkeeping and finance
 - Participate in assessments of local/regional food processing, storage and distribution facilities
 - Collaborate with other producers



Example: Multi-species meat plant study

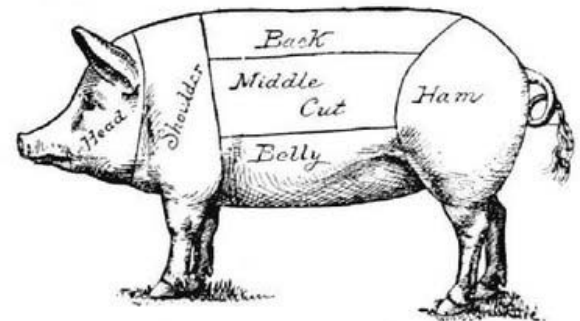
- ❑ Growing demand for grass-fed meats, but very limited access to custom facilities
- ❑ Regional-scale facility will provide custom harvesting and processing services for beef, pork, lamb and goat
- ❑ Likely to be located in eastern edge of Mendocino County
- ❑ Intended to serve ranchers within two-hour driving distance--Mendocino, Lake, Marin, Napa, Solano and Yolo counties

Example: Multi-species meat plant study

- ❑ Project objective is to develop a business plan-- including a marketing plan, management summary, and financial plan
- ❑ Evaluating 3 plant sizes:
 - “Micro” with mobile trailer slaughter unit plus 1,500 square foot cut & wrap facility
 - “Small” 3,000 square foot slaughter and cut & wrap facility
 - “Small-medium” 5,000 square foot slaughter and cut & wrap facility
- ❑ Analyze break-even volumes for each size plant

Example: Multi-species meat plant study

- ❑ Consider different ownership structures
 - Rancher-owned partnership
 - Rancher-owned cooperative
 - Rancher-consumer owned cooperative
- ❑ Prepare business plan for most profitable facility
- ❑ Seek financing within the community
 - Local lenders
 - Local ranchers
 - Local grocers & restaurants



Closing Comments

- ❑ Food policy has had significant impact on food industry structure
- ❑ Provide input to your representatives regarding 2012 Farm Bill and CDFA Direct Marketing reforms
- ❑ Food safety is important
- ❑ Some scale necessary to be able to market affordable food

Questions?

www.sfp.ucdavis.edu